

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1368
ANSWERED ON:11.03.2005
URBAN COOPERATIVE BANK IN ANDHRA PRADESH
Reddy Shri Mekapati Rajamohan

Will the Minister of FINANCE be pleased to state:

- (a) the names of urban cooperative banks in Andhra Pradesh which have fallen sick or defunct during the last three years; year-wise;
- (b) the main reasons for their falling sick;
- (c) the public money involved in each of these banks;
- (d) the steps taken by RBI to safeguard the interest of the depositors;
- (e) the financial help provided by Government to meet the situation; and
- (f) the present status of working of each banks?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM) :

(a) to (c) Licenses of 30 Urban Cooperative Banks were cancelled by Reserve Bank of India (RBI) during the last four years. as given in the statement-I enclosed. Besides, directions have been issued by RBI to 11 banks under Section 35A of the Banking Regulation Act, 1949 (AACS) and the public money involved in these banks are indicated in the statement-II enclosed. The main reasons for their falling sick are poor credit management, non adherence to-prudential norms governing exposure limits to a single borrowers/group of borrowers, loans given to Directors and their relatives, higher cost of deposits, low capital base, lack of proper guidance and directions from Board of Directors, inadequate and weak internal control and audit systems etc.

(d) RBI has issued several directions to safeguard the interest of the depositors prohibiting the banks from acceptance of fresh deposits, prescribing a ceiling limit on withdrawal of deposits, advising the banks to submit an action plan to turn around in a time bound manner etc.

(e)The State Government/Central Government has not provided any financial help in this regard.

(f) The banks to whom directions have been issued are being monitored closely by RBI. Registrar of Co-operative Societies has been requested to supersede Board of Directors and appoint an Administrator where there has been lack of control. The possibility of merger with some other financially sound and viable UCB is also being explored.